CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 10, 2007

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 10, 2007, commencing at 7:31 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock, Katzakian, and Mayor Johnson
Absent: Council Members – Mounce
Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Receive Information Regarding the Water Meter Retrofit Program"

City Manager King briefly introduced the subject matter of the water meter retrofit program.

Public Works Director Prima provided a PowerPoint presentation (filed) regarding the subject matter. Specific topics of discussion included an outline of the program and background of the program including State deadlines, meter costs, pilot test data, revenue and rate implications of metering, other implications, rate goals, meeting rate goals, accelerated program, goal conversion, basic choices, and feasibility of choices.

In response to Mayor Johnson, City Attorney Schwabauer stated if a ballot measure comes forth, it would be subject to the constitutional Proposition 218 process and approval. City Manager King stated this is not a mandate, but a method by which the State ensures that local government pays for the program.

Discussion ensued between Council Member Hansen, Mayor Johnson, and Mr. Prima regarding previous efforts by the City regarding the installation of new sewer mains east of Vine Street.

In response to Council Member Hitchcock, Mr. Prima stated the chart shows each customer and how much they use on a total basis.

In response to Council Member Hitchcock, Mr. Prima stated staff is working on correlating data for pool properties.

In response to Council Member Katzakian, Mr. Prima stated he is not sure how the 15,400 figure compares to averages in other cities.

PUBLIC COMMENTS:

- In response to Myrna Wetzel, Mr. Prima stated watering hours and conservation efforts do affect rates and structure, but peak issue will not change too much. City Manager King stated, with a flat level payment, we receive the same amount, while a new structure with lump sum amounts may help with reserves and dry periods.

In response to Council Member Hansen, Mr. Prima stated traditionally gas and electric is individually measured for each apartment, while water and sewer are measured together per apartment building or lot.

In response to Mayor Johnson, Mr. Prima stated, in regard to landscaping uses, the winter time usage sets the bill for the next year. He stated staff has spoken to the Internal Revenue Service regarding the same and are reviewing a variety of ways to account for outside usage. City Manager King stated his experience is ratio basis and additional meters for landscaping.
In response to Council Member Hansen, Mr. Prima stated the water rates are largely determined by the cost of service, as with electric, and you pay less if you use less.

Mr. King stated the additional difference is that the water costs include only the cost of service and not the additional cost for the commodity itself.

In response to Council Member Hitchcock, Mr. Prima stated they charge based on use; not by peak times.

In response to Council Member Hitchcock, Mr. Prima stated it is not uncommon to see tiered rates for water among different cities. He stated he does not believe there is much of a correlation between the tiers and how much the customers pay.

In response to Council Member Hansen's question regarding the proposed increase and fairness of the bedroom system, Mr. King stated the matter was accelerated based on the people's request for water meters.

In response to Council Member Hansen, Mr. Prima stated the $1,200 figure is a comfortable estimate for water meter installation and it may be feasible to have some payment options, while being cognizant of the cash flow issue.

In response to Mayor Johnson, Mr. Prima stated the users who pay for the full amount are a relatively small portion of the population.

In response to Council Member Hansen, Mr. Prima stated there may be some practical concerns regarding piecemeal efforts for property owners who may want to pay for and install the meter right away.

In response to Mayor Johnson, Mr. Prima stated the money could probably be collected within a three-year time period and implementation, even if it was done by a single large contractor, may be done within two years of the accelerated program.

In response to Council Member Hansen, Mr. Prima stated year 2010 is the deadline for starting to charge by water meters.

Discussion ensued between Council Member Hansen, City Manager King, and Mr. Prima regarding spreading costs, property owner options and costs, and Proposition 218 application.

Discussion ensued between Council Member Hitchcock and Mr. Prima regarding the share of costs for property owners, upgrading service and meter installation, properties located on the east side versus other areas in the City, previously installed meters, landscaping considerations, and installation efforts.

In response to Council Member Katzakian, Mr. Prima stated the actual cost of the meter is approximately $200. City Manager King stated the option of a treat and drink plant is a policy consideration by Council to include structures with new properties that do not exist on the tax rolls now, as well as spreading out costs with existing housing.

City Manager King stated staff will be coming back to Council at a regular Council meeting for direction on how to proceed with the item.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

- Eileen St. Yves spoke in favor of water meter installation and property owner responsibility for both installation and service purposes.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:47 a.m.

ATTEST:

Randi Johl, City Clerk

AGENDA ITEM B-1

CITY OF LODI
COUNCIL COMMUNICATION

TM

AGENDA TITLE: **Water Meter Retrofit**

MEETING DATE: **April 10, 2007 (Shirtsleeve Session)**

PREPARED BY: **Public Works Director**

RECOMMENDED ACTION: Receive information on the water meter retrofit program.

BACKGROUND INFORMATION: The State of California has mandated that water meters be retrofitted on existing customer services. This matter was brought to the City Council in 2006 for initial discussion. The Council requested that staff evaluate the possibility of doing so on a "short" time frame.

The attached presentation provides background information, costs of retrofitting meters, data from the pilot test performed in 2006/07 and discussion on the meter retrofit program, as well as rate and revenue implications.

FISCAL IMPACT: As described in the attached material; actual impact will depend on the policy direction. The matter is tentatively scheduled for Council action at its April 18, 2007 meeting.

FUNDING AVAILABLE: Not applicable.

Richard C. Prima, Jr.
Public Works Director

RCP/pmf

Attachment

cc: Charlie Swimley, Water Services Manager

APPROVED: _____
Blair King, City Manager

Accelerated Water Meter Retrofit Program

Lodi City Council

Shirtsleeve Session

April 10, 2007

Outline

- Background
- Meter Costs
- Pilot Test Data
- Revenue/Rate Implications of Metering
- “Accelerated” Program
- Choices

Background

- Historically, Lodi has metered high volume non-residential (commercial/industrial) customers
- 1979 – started installing water services “meter ready”
- Active meter retrofit program in late 80’s; discontinued due to budget cutbacks in 1993
- 1992 State law required meters on new services
  - Did not require charging per commodity rates
  - Lodi adopted “local rule” – we would charge for meters and install at later date when appropriate rates were established
- New State law now mandates charging for water based on usage for all customers
  - January 1, 2025 deadline for all customers
  - January 1, 2010 deadline for customers with meters
  - Allows cost recovery from rates, fees or charges
- 2006 – City installs 400 residential meters for pilot test

Meter Costs

Service	Number	Unit Cost	Cost (Mil.)
Pre-1979 needing service upgrade	11,000	$1,200	$13.2
1979-1992 meter ready Services	2,500	$450	$1.2
1992+ “meter paid” services	3,200	$350	$1.1
City-upgraded Services	500	$350	$0.2
Totals:	17,200		$15.7

4

Pre-1979 services are buried approximately 30” deep; installing a meter involves excavation, installing fittings and a riser pipe, a meter box and valves along with the meter itself. The estimate does not include replacing the entire service which, in some circumstances, may be necessary.

Note that as part of the infrastructure replacement program, the City has upgraded approximately 500 water services at no additional charge to the property owner.

The estimates do not include the higher cost for larger services at apartments or cases where two lots share a water service.

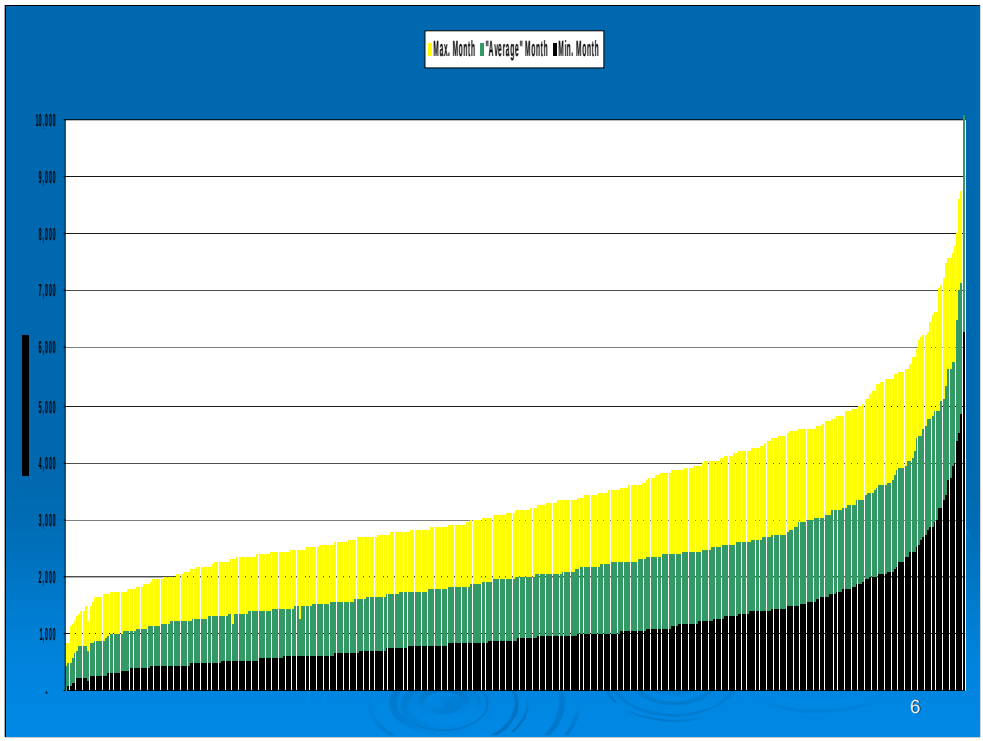
Pilot Test Data

- Installation went fairly smoothly, although these were relatively new services
- Meter reading procedures need to be improved
- Water consumption varied:
  - Average customer used 15,400 gallons/month
  - Highest 10 customers used 2.2 x average
  - Highest 10 customers used 5.3 x lowest 10

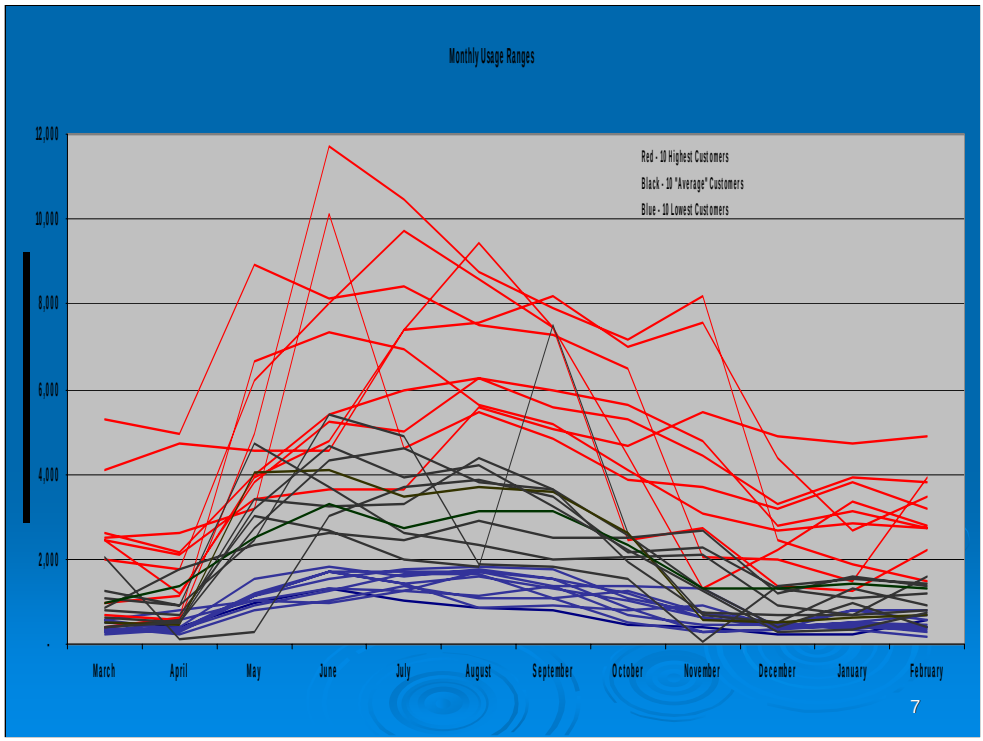
5

We would anticipate that some older services will need to have the meter box reset or replaced, possibly some have been buried or incorporated into walkways or landscaping.

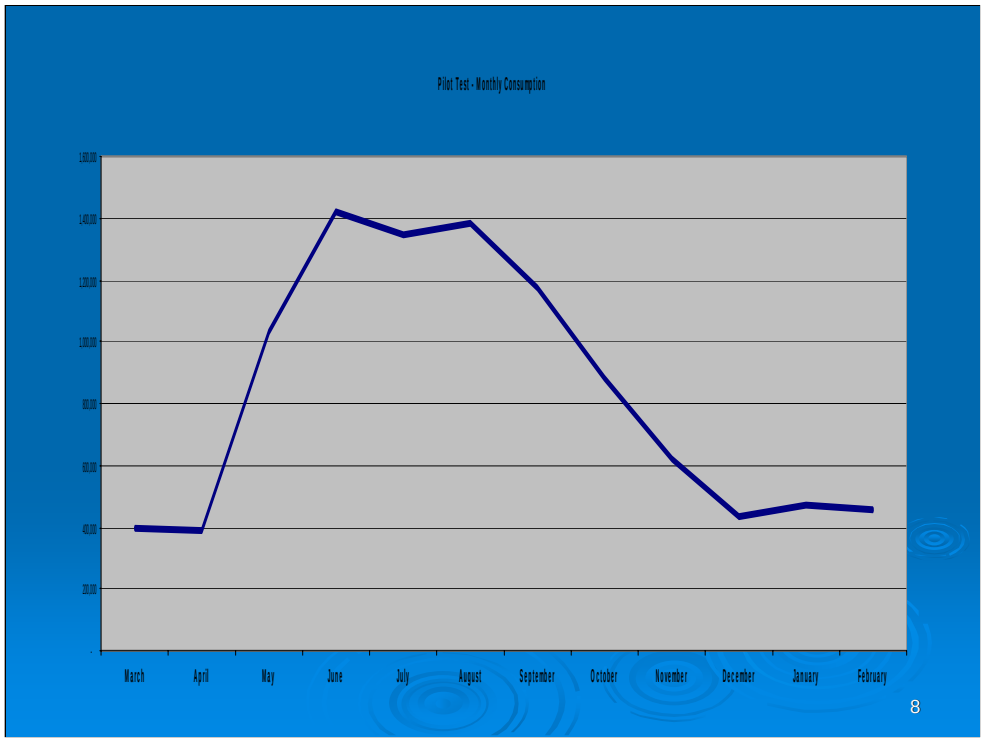
“Missed reads” were a problem with some locations.



Plot shows pilot data ordered from lowest annual consumption at left to highest at right, for highest month, an “average” month and the lowest month.



Plot shows variability of monthly usage for various customers.



Total of all customers in pilot test.

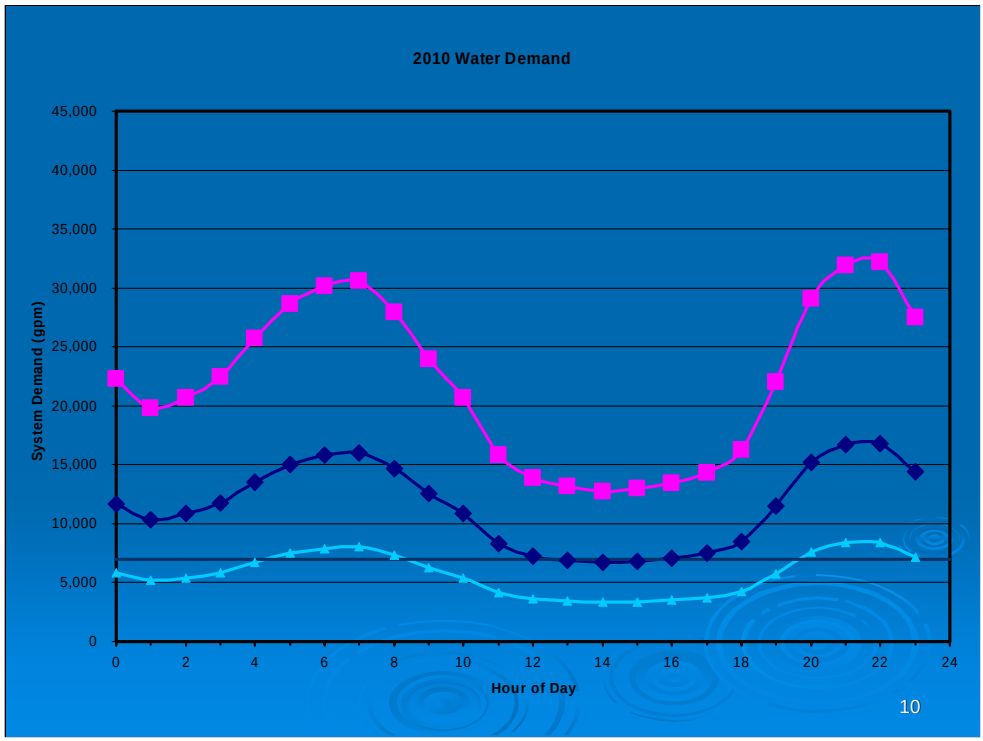
Note that revenue would vary in proportion to consumption; possibly a cash flow problem if Water Utility does not have adequate reserves.

Revenue/Rate Implications of Metering? – Issues

- City's metered rate has only been applied to non-residential customers
- While various adjustments have been made to metered rates over the years, there has been no formal study examining relative cost of service between residential and non-residential customers
- Costs to service large users are not necessarily the same as they are for typical residential customers; example: peak demands

9

Metered rate consists of a base charge (to cover some fixed costs) and a single rate for the quantity used.

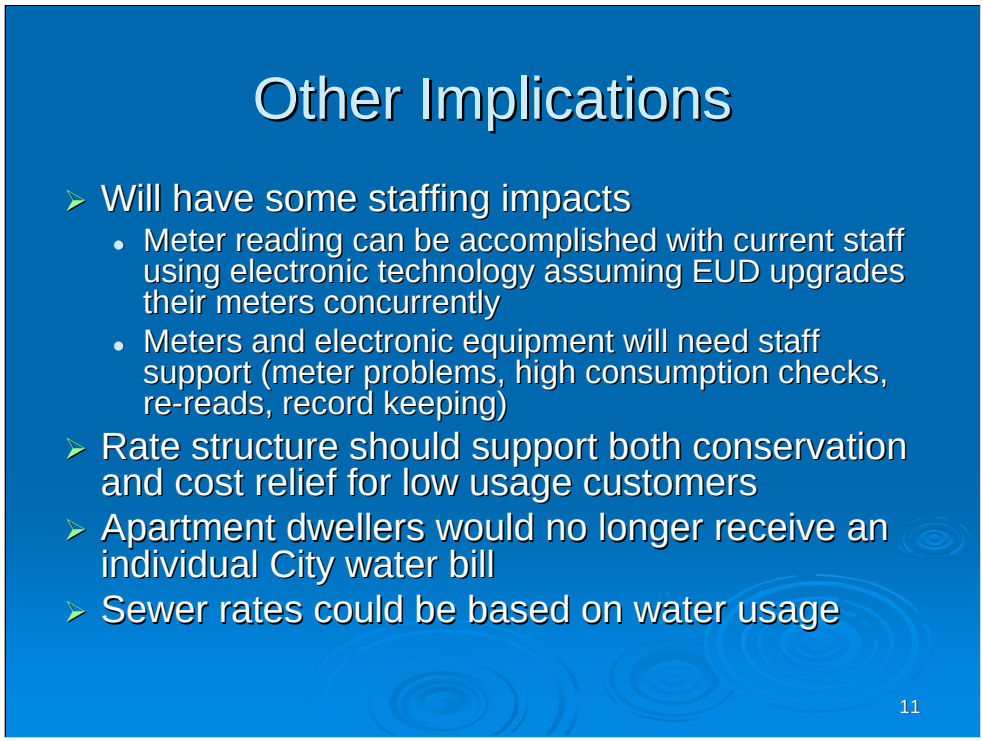


Plot shows hourly water production.

Lower line is winter usage; Top line is summer usage; Calculated “Average” Day is in middle.

Note early morning and late evening peaks caused by residential use and landscape irrigation.

Peak demands create higher capital facility needs – more wells, larger pipes.



EUD meter changes on a short time frame may not be feasible

Staffing – would start with meter technician, similar to Electric Utility

Cost relief – would include automatic reduction for vacant dwellings, vacations (unless you leave the water running!) and for low-volume users

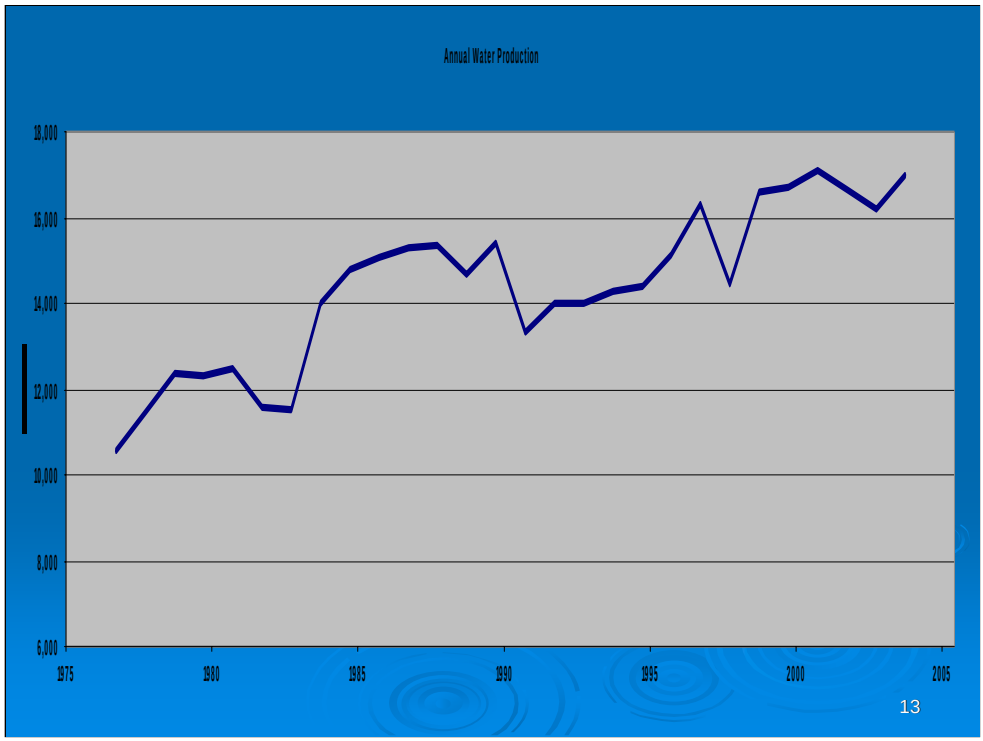
Owners could do sub-metering; unlikely in older units, could do in new construction; also would apply to some businesses tenants

Rate Goals

- Provide sufficient revenue to fund water utility, including debt service, operating expenses and capital replacement
- Be fair and equitable
- Avoid unexpected changes
- Help with water conservation, but recognize water as a necessity of life
- Maintain adequate reserve for unexpected costs and reduced consumption

12

Need reserve to help avoid the "..we saved water, now we have to raise rates…" problem



With a fully metered system, water revenue would fluctuate with production.

While long term trend is upward, historically there have been significant decreases that have lasted for several years.

How to Meet Rate Goals

- Make minor rate adjustments annually
  - *We do this*
- Maintain a healthy reserve
  - *We try, but the PCE/TCE situation has depleted water fund reserves*
- Have an appropriate fee structure for new development
  - *We do this, but it needs to be updated for surface water program*
- Have rates that address all the goals
  - *This needs to be worked on…*

14

Revenue/Rate Implications of Metering? – Answers - 1

- Based on the pilot data and assuming existing commercial metered rates:
  - If customers did not change their usage after receiving a meter, revenue would increase.
  - If customers conserved an average of 15% or 20%, revenue would decrease.

15

15% reduction in consumption assumed in City's Urban Water Management Plan

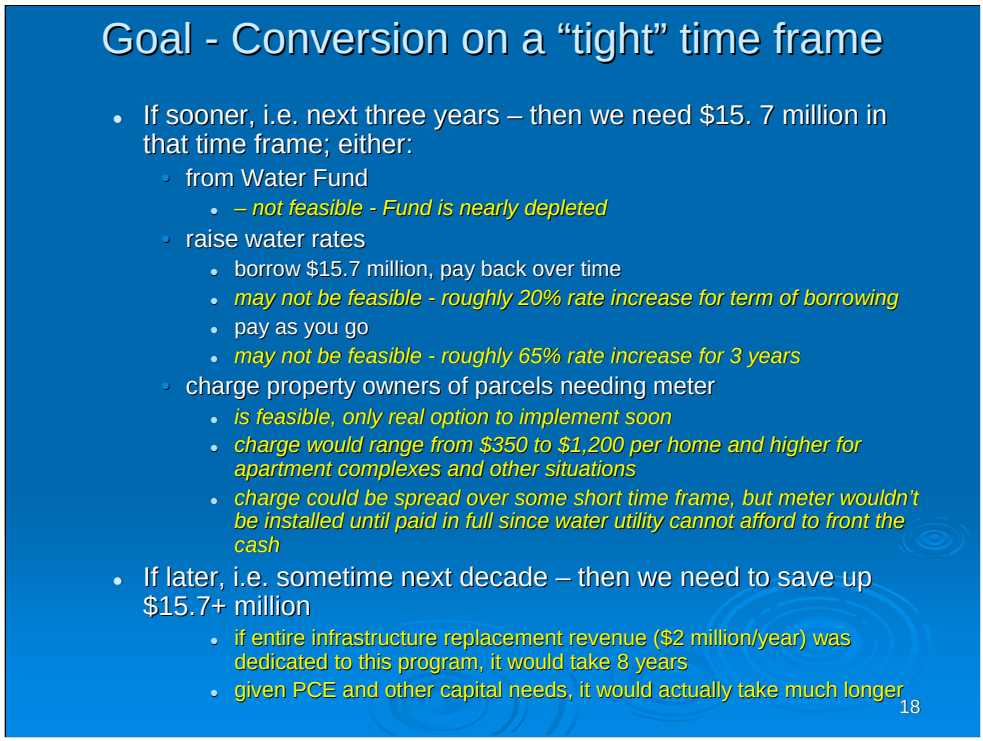
20% reduction based on Best Management Practices per California Urban Water Conservation Council

Revenue/Rate Implications of Metering? – Answers - 2

- Based on the Rate Goals and the pilot data, the City should establish a residential metered rate that includes:
  - Base charge, plus
  - Three usage tiers for low, medium and high consumption amounts
- Could implement soon; plan to do detailed rate study later when more meter data is available.

“Accelerated” Program

- State law allows for delayed implementation - either “pay as you go” or all at once prior to January 1, 2025
- Council requested information on how program could be accelerated
  - concern for water conservation
  - issues with some customers metered, some not, for the next 18 years



20% figure assumes annual cost of $1.57 million (10% of capital needs) divided by $8 million current annual revenue.

65% figure assumes $15.7 million divided by three years divided by $8 million annual revenue.

Basic Choices

- Who Pays?
  - Owner?
  - Utility?
  - Share? (meter by owner, service by utility; or some other shared cost method)
- When?
  - Short time frame/Now
  - Short time frame/Later
  - Longer time frame

Feasibility of Choices (within current rate structure)

	Time Frame		
Who Pays?	Short/Now	Short/Later	Long
Owner	Yes	Yes	Yes
Shared	No	Probably not*	Yes
Utility	No	Probably not*	Probably not*

* Would be “Yes” if rates were increased

Questions/Discussion